

## **News Release**

Farm Service Agency  
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### **Program Announcement**

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#### **USDA ANNOUNCES PREVAILING WORLD MARKET PRICE AND USER MARKETING CERTIFICATE PAYMENT RATE FOR UPLAND COTTON**

WASHINGTON, May 14, 1998 -- Bruce R. Weber, Acting Executive Vice President of USDA's Commodity Credit Corporation, today announced the prevailing world market prices, adjusted to U.S. quality and location (adjusted world price or AWP), for Strict Low Middling (SLM) 1-1/16 inch (leaf grade 4, micronaire 3.5-3.6 and 4.3-4.9, strength 24-25 grams per tex) upland cotton (base quality), and the coarse count adjustments (CCA) in effect from 5:00 p.m. today through 3:59 p.m. Thursday, May 21. The user marketing certificate (Step 2) payment rate in effect from 12:01 a.m. Friday, May 15 through midnight Thursday, May 21 is 7.43 cents per pound.

This period represents Week 1 of the 6-week transition period from using current price quotations to using forward price quotations in calculating the AWP. The procedure was adopted to avoid a dramatic change in the AWP that could occur with no transition period due to differences between new and old crop price quotations. This procedure is also used to calculate the U.S. Northern Europe (USNE) price used to determine the maximum allowable Step 1 adjustment. For Weeks 1 and 2, the Northern Europe (NE) price = [(2 x NE current price) + (NE forward price)]/3. The USNE price is calculated using a comparable formula. These transitional price calculations are not used for Step 2 determinations.

The Federal Agriculture Improvement and Reform Act of 1996 provides that the AWP may be further adjusted if: 1) the AWP is less than 115 percent of the current crop year loan rate for base quality upland cotton, and 2) the USNE price exceeds the NE price. This week, both conditions for this adjustment have been met, and it has been determined that this further adjustment to the AWP shall be 0.0 cents per pound.

This week's AWP and CCA are determined as follows:

#### Adjusted World Price

NE Price .....	65.67
Adjustments:	
Avg. U.S. spot market location .....	12.08
SLM 1-1/16 inch cotton .....	1.90
Avg. U.S. location .....	0.14
Sum of Adjustments .....	<u>- 14.12</u>
ADJUSTED WORLD PRICE .....	51.55 cents/lb.

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This week, the needed quotations for coarse count cottons were unavailable for all five days. Thus, the coarse count adjustment is set equal to the adjustment of last week, zero.

Because the AWP for the period is less than 51.92 cents per pound which is the base quality loan rate, the loan repayment rate during this period is equal to the AWP, adjusted for the specific quality and location. The loan repayment amount will be further adjusted by the application of a storage credit, and interest will be waived.

Because the AWP is less than the 1997-crop loan rate, cash loan deficiency payments (LDPs) will be paid to eligible producers who agree to forgo obtaining marketing assistance loans with respect to the 1997 crop. The payment rate, effective from 5:00 p.m. today through 3:59 p.m. Thursday, May 21, will be 0.37 cents per pound.

Step 2 payments are provided this week because, for four consecutive weeks, the USNE price has exceeded the NE price by more than 1.25 cents per pound and the AWP has not exceeded 130 percent of the loan rate for upland cotton. Relevant data for the Step 2 program follow:

Week	Fri/Thur Period Ending	AWP as % of 1997 Loan Rate 1/	USNE Price	NE Price	USNE Less NE Price	Step 2 Rate
..... cents/lb .....						
1	4/23/98	96.7	71.05	64.34	6.71	5.46
2	4/30/98	96.6	72.00	64.25	7.75	6.50
3	5/7/98	95.5	72.06	63.69	8.37	7.12
4	5/14/98	99.3	72.75	64.07	8.68	7.43

1/ The marketing year 1997 loan rate is 51.92 cents per pound.

The next announcement of the AWP, CCA and user marketing certificate payment rate will occur on Thursday, May 21 at 5 p.m.

Further program information is available from Wayne Bjorlie,  
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